

**Testimony of
Julie Kitka, President
Alaska Federation of Natives**

Joint Hearing
Committee on Government Reform
Congressman Tom Davis, Chairman
Rep. Henry Waxman, Ranking Member

and

Committee on Small Business
Congressman Donald A. Manzullo, Chairman
Rep. Nydia Velazquez, Ranking Member

**Northern Lights and Procurement Plights: The Effect of the ANC Program
on Federal Procurement and Alaska Native Corporations**

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Chairmen Davis and Manzullo, Ranking members Waxman and Velazquez and distinguished members of both committees, thank you for the opportunity to appear before you today on behalf of the Alaska Federation of Natives (AFN), to talk about the importance of the Small Business Administration's 8(a) program to the Native people of Alaska and other important considerations.

My name is Julie Kitka. I am testifying today in my capacity as President of the Alaska Federation of Natives (AFN), a position I have held for over fifteen years. By way of background, AFN is the largest statewide Native organization in Alaska representing more than 125,000 Alaska Natives residing in Alaska, and more than 120,000 Alaska Natives scattered over the rest of the 49 states. AFN was organized in 1966 to facilitate bringing the various regional and village associations together, to advocate with one voice for a fair settlement of our aboriginal land claims.¹

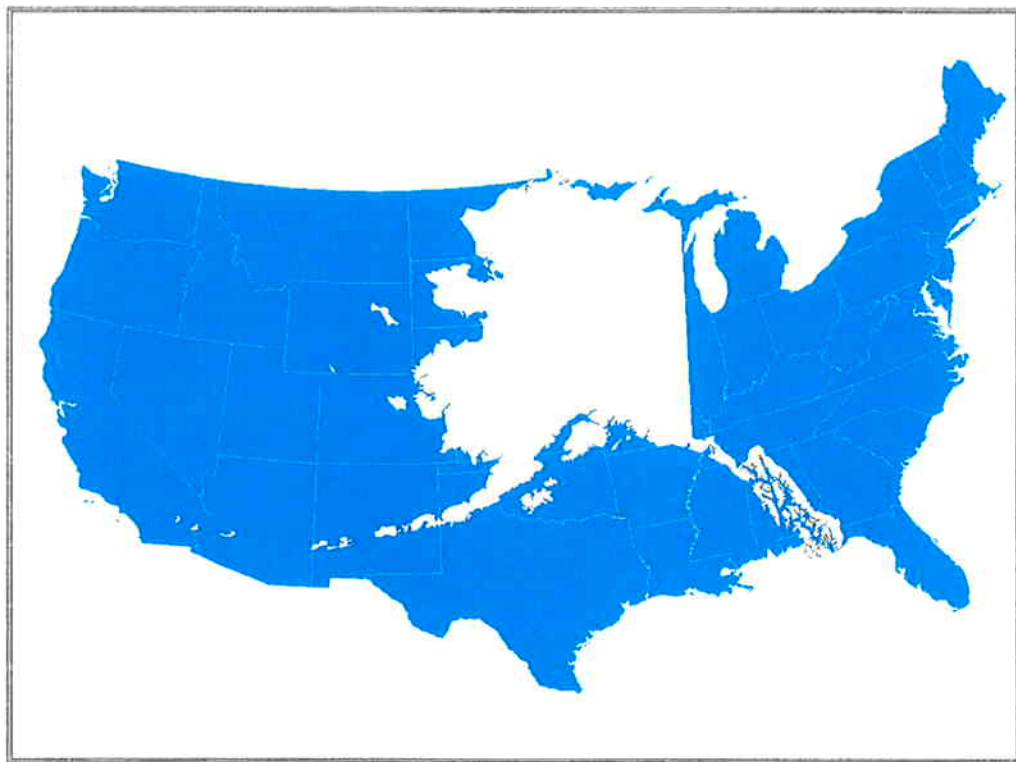
With the discovery of oil in Prudhoe Bay, and the need for clear title in order to build a pipeline to bring that world-class discovery on line, to provide for the energy needs of our country, a sense of urgency created a historic opportunity for a settlement of our land claims. In December 1971, after years of effort by Members of the U.S. Congress, and Alaska Native leadership, the Alaska Native Claims Settlement Act, (ANCSA), P.L. 92-203 was signed into law by President Richard Nixon. In extinguishing aboriginal claims, Alaska Natives were compensated with fee simple title to 44 million acres of land and \$962.5 million for lands lost to the State, federal and private interests. The Act created 13 regional for-profit corporations and more than 200 village corporations to receive and oversee the land and monetary entitlements.

Today, AFN is governed by a 37-member board of directors representing villages (both federally recognized tribes and ANCSA village corporations), 12 regional

¹ Attachments include a listing of the Native People and Languages of Alaska; and a map of the geographic division of the population.

non-profit organizations, and the 13 regional ANCSA corporations. AFN's annual convention is the largest annual gathering of Native people within the United States numbering close to 5,000 individuals. AFN's mission is to enhance and promote the cultural, economic and political voice of the Alaska Native community.

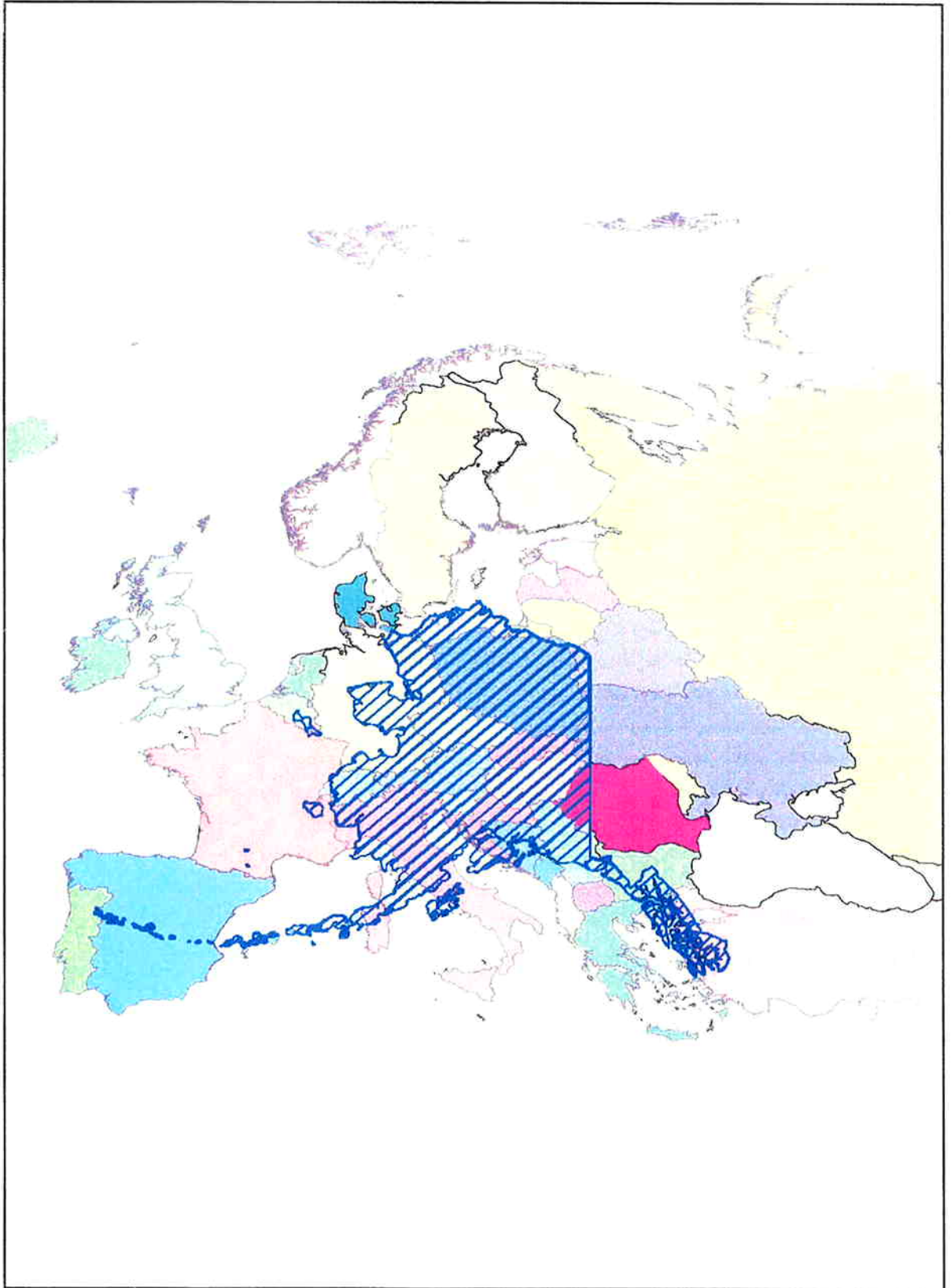
Background: To gain perspective, it is helpful to realize that the United States is about half the size of Russia, about 3/10th the size of Africa, about ½ the size of South America, or slightly larger than Brazil, slightly larger than China and about 2 ½ times the size of Western Europe. Within the United States, Alaska is the largest state, about 2.3 times the size of Texas and about 1/5th the size of the lower 48 states.



Alaska has one of the largest Native populations in the United States. Our people make up about 22% of the total population in Alaska and our people are scattered across the entire breadth of the state. Our Native cultures are land-

based, and our occupation and use of our land predates Plymouth Rock and the pyramids

For comparison purposes, the next map is created by overlaying the boundaries of the State of Alaska over Europe. As you study the overlay, you will see how many countries of Europe are totally engulfed, or touched within the boundaries – such as Portugal, Spain, Germany, France, Switzerland, Italy, Austria, Slovenia, Macedonia, Bulgaria, Romania, Ukraine, Hungary, Belarus, Slovakia, and the Czech Republic. If you just stop and think of this for a minute, you will understand how large Alaska is as a land mass and how great the logistics and infrastructure needs are in terms of building sustainable economies. To survive and prosper in such an environment requires tremendous effort and supportive government policies.



Land Claims Settlement and the Promise of an Economic Base

While Native leaders were finally successful in reaching a settlement with the United States on our land claims, we gave up much. Native land holdings were significantly reduced under the terms of ANCSA. Yet we accepted the settlement because we believed the United States would honor its trust obligation to us and that our people would benefit from the land, capital and corporations created by ANCSA and the economic opportunities that would be created. Since then many of our corporations have struggled to achieve the goal of economic self-determination. ANCSA's successes and failures have been judged largely by the performance of the regional corporations. Unfortunately, many have experienced turbulent times. Shareholders expected the regional corporations to do everything: to protect traditional ways of life and ancestral lands used for subsistence; to provide for the social welfare of the people; to be profitable; to provide employment; and pay regular dividends. These often-conflicting expectations were complicated by the fact that the leaders of the new corporations had little or no experience in the business world. According to the ANCSA 1985 Study, prepared for the Secretary of the Interior, only one regional corporation had not reported a loss since its formation – and more than one had considered bankruptcy. The lack of economic development opportunities and basic infrastructure in Native villages made it virtually impossible for Native corporations to generate economic progress without assistance.

8a Government Contracting & the Special Trust Relationship

Over the years since ANCSA was passed, Congress has enacted many laws to foster self-sufficiency and economic development in Native communities. Among the most successful of these laws are the special provisions implementing Section 8(a) of the Small Business Act. The contracting status offered by the 8(a) program is based on the trust and statutory relationship between Native Americans and the Federal Government. As you are well aware, there is a special legal and political relationship between the United States and Indian and Alaska Native Tribes, and that special legal and political relationship is grounded

in treaties, the United States Constitution, federal statutes, court decisions and a course of dealing. We also note that this special legal and political relationship between the United States and Native American tribes includes Alaska Natives. Although the legal status of Alaska Native corporations is different than that of Tribes, it has long been recognized that a special legal and political relationship exists between the United States and Alaska Natives.

The Federal Government has an obligation to foster self-sufficiency and economic development in Native communities. Congress amended ANCSA to help Alaska Natives overcome barriers to economic development in rural Alaska by allowing them to be eligible to participate in the 8(a) program. We consider this an integral part of the original ANCSA economic settlement.

The ANCSA regional and village corporations and tribes in Alaska that have participated in the 8(a) SBA program have achieved success by providing real value and quality work for the government at a fair price. By paying attention to detail, and by being careful stewards of the responsibility entrusted to us by the government, we have delivered a needed service to the government while at the same time providing job opportunities and upward mobility economic opportunities for our Native people.

Since our land base and resources are held by our Native corporations, and are not trust lands held by tribes with reservations status, the financial health of our Native corporations is extremely important to our continued existence as distinct, land-based cultures and peoples living in the United States. Contracting opportunities have allowed us to contribute to our country, gain experience, continue to build capacity, and reinvest profits back into our corporations and people for the future.

As First Americans who have used and occupied our homelands in Alaska for over 10,000 years, and who continue to live in the farthest Northern corner of the United States, we are here to stay. We have a land base and are building our capacity in the use of corporations, modifying the corporate structure with the help of the Congress to better meet the needs of our people. Every Congress since 1971 has had a package of technical amendments to fine-tune aspects of the settlement.

Make no mistake about it; our 8a companies are not fronts for someone else. We have 34 plus years enmeshed in capitalism as a result of our 1971 land claims settlement in which you, the Congress choose the corporate form of governance for our people. We have had a steep learning curve.

Participation in the 8(a) program has enabled our Native-owned businesses to develop the experience, skill and expertise necessary to succeed in the competitive business market. The 8(a) program has helped Alaska Native entities overcome significant economic barriers, create and expand competitive businesses in the private and federal markets, create new business opportunities in remote rural areas of our state and return profits to our communities.

30-Year Trend Analysis

Over the last thirty years, Alaska Natives have made great progress in basic health, education and safety areas. A recent thirty-year trend analysis, which we commissioned, measured size, growth and structure of our population. The study looked at factors impacting population growth (including fertility, infant mortality, and life expectancy), labor and employment figures; poverty and income distribution; educational attainment levels; and health status. All showed remarkable improvements. For example, over the thirty-year period, poverty rates among Alaska Native decreased from the 60% + down to 20%. This is a remarkable achievement by any standard and was made possible by the

combined efforts of the federal and state governments and our people themselves.

For the Native leadership, one troubling aspect is the continuing disparity between Alaska Natives and other Alaskans in nearly all sectors. We are continuing to focus on strategies and actions to close the gaps. We have recommendations, which follow later in the testimony.

Alaska Native Participation in the 8 a Program – Part of the Solution

One of the reasons we are here today with a united voice, is to tell you that we need this program for our people. It is an exceedingly rare example of federal Indian policy that successfully promotes economic development and self-sustainability without large direct federal appropriations.

Outspoken opponents, inaccurate media and calculated leaks about the GAO report are attempts by organized parties to discredit the success of the program. The fact is that the actual GAO report shows no wrongdoing on the part of Alaska Native corporations, it mostly addresses areas within the SBA oversight that need attention.

I am glad this committee will have a chance to understand that this attempt to discredit the Alaska Native corporations has failed. It is now time for you to hear the truth about the program. The program is the cornerstone of our future and we need to strengthen it for the benefit of all Alaska Natives and American Indians.

As less and less funding is available for Indian concerns including health and social benefits, Congress should look more closely at programs like this one that benefit both Alaska Natives and American Indians by helping them attain economic independence.

In conclusion, Alaska Native corporations and Alaska's Tribes engaged in the 8(a) program provide benefits to Native communities and whole regions of economically and socially disadvantaged people, as recognized by the current law, whereas in an individually owned 8(a), the owners retain all the benefits.

Recommendations:

The following recommendations are offered in the spirit of positive dialogue on the role of the federal government to constantly seek to expand the "economic pie", and share the prosperity of our growing economy to pockets within the United States that are often left out, and left behind.

1. Recognizing that U.S. businesses, including Alaska Native corporations, are not just competing with other states for jobs, but are also competing with China, India, Korea and other countries for the capital to build businesses; and recognizing that the jobs go where the businesses go. Congress should make high-speed telecommunications a national priority to help drive up our country's productivity and potential for economic growth. We need fast, accurate communication networks to stay competitive in the global economy. Given the geographic breadth of Alaska, and its strategic location in the growing East-West sphere, we need the most advanced telecommunications services in order to continue to build our capacity and to compete for jobs and capital.
2. Congress should enact legislation to change the investment climate in rural Alaska and within reservation economies across the country. The Congress should support economic development by creating investment guarantees by expanding current US economic policy to offer domestically the same incentives that are offered to investors in China, India and Brazil.
3. Congress should authorize a feasibility study of a demonstration project in Alaska to be the first outsource free trade zone in the United States.

Similar feasibility studies should be authorized for other Native American communities if there is interest. In order for the US to compete worldwide for jobs and capital, we must be able to offer advantages, which can compete with other major out source suppliers in China, India and now Dubai in the United Arab Emirates. Recent reports indicate that Dubai is looking at a targeted share of 5% of the global outsourcing industry in five years. They have set up a trade zone that offers advantages as streamline bureaucratic processes, zero corporate income tax, personal tax and sales tax; and the country is funneling a large amount of funds into construction and diversification plans. A feasibility study of a demonstration project in Alaska, and within other Native American communities would examine the pros and cons of such an approach in the United States, and whether it would make sense. If Congress decided to authorize such a feasibility study, the AFN would like to be a part of it.

4. Congress can enact legislation to create “knowledge economy ecosystems” designed to support the business and government needs of information and communications technology and include other sectors. Congress is aware that knowledge is the most valuable commodity in the economy of the post-industrial world. Congress can ensure that Alaska Natives are able to participate in the global economy, even among such giants that have tremendous wealth and the ability to innovate beyond what we can imagine. Congress should note that Dubai is setting up what they call the Dubai Knowledge Village – described as a vibrant, connected learning community that will develop the regions talent pool and accelerate its move to the knowledge economy. Congress must not allow U.S. businesses to fall behind or be hobbled in their drives to be competitive entities in the global economy.
5. Congress can support demonstration projects on workforce development for the knowledge economy – multiple demonstration projects, including one in Alaska. A multi-department initiative including the U.S. Departments of Labor, Education and Commerce is needed immediately.

6. Congress should authorize and fund a knowledge-management/financial entity to capture best practices in government contracting. This entity would foster innovation in developing the capacity of Alaska Native peoples and their organizations. It would identify strategic drivers; forecast various economic scenarios and trends, review developing models for promising practices in delivery of services for both the government and private sector. Most importantly it would work to help facilitate expanding mentorship opportunities and breathe fresh air into technical assistance efforts. A focus on improved productivity and best practices would equal savings to the government and improved services. Again, a similar entity to focus on reservation specific contexts should be considered if there is interest.
7. Congress should establish two different financial funds, a Native American Economies Diagnostic Studies Fund and a Native American Incubation Center Fund. The first fund, the “Native American Economies Diagnostic Studies Fund” would be designed to provide comprehensive economic analyses of Native economies and, in turn, offer recommendations to remove or ameliorate inhibitors to greater investment and job creation. The second development fund, the “Native American Incubation Center Fund”, would be designed to encourage the design and implementation of pro-growth economic policies to help stimulate Native economies. AFN strongly supports the underlying rationale behind the establishment of funds designated to these purposes and believe they would assist economic development throughout Alaska and within other Native American communities if they were enacted into law.

In closing, I would like to commend both committees for their commitment to the issue of economic development and to looking at strategies for building healthy Native economies and stronger Native communities. I ask you on behalf of the Alaska Native people to consider the enormous benefits the 8(a) program has

provided to Alaska Natives and the role it plays in fulfilling the federal government's obligation to foster self-sufficiency and economic development for our people. The continuation of the program is essential in helping Native people gain control over our future, over our lives, and over our destinies.

Thank you for the invitation to testify, and I welcome any questions you might have.

Attachments:

- 1) Matrix of Alaska Native Organizations and State and Local Governments
- 2) Matrix on Native Peoples and Languages of Alaska

Native Peoples and Languages of Alaska

The aboriginal affiliation of Alaska Natives is derived from ancestral linguistic groups. The two major Alaska Native language families are the Esko-Aleutian and Na-Dene. Esko-Aleutian languages are further divided into Aleut and Eskimo—the two major languages in Eskimo are Yupik and Inupiaq. The Na-Dene family language includes the Athapaskan languages, Eyak and Tlingit. Other language families in Alaska are Tsimshian and Haida.

Alaska Native Language Groups

Language Family	Language Names
Eskimo-Aleut	
Aleut	Aleut
Eskimo	Alutiiq (Sugpiak) Central Yupik Siberian Yupik Inupiaq
Tsimshian	Tsimshian
Haida	Haida
Athabaskan-Eyak-Tlingit	
Tlingit	Tlingit
Eyak	Eyak
Athabaskan	Ahtna Tanaina Ingalik Holikachuk Koyukon Upper Kuskokwim Tanana Tanacross Upper Tanana Han Kutchin

Geographic Divisions The Inupiat live in North Alaska, along the Beaufort and Chuckchi Sea coasts (and inland), along the Kotzebue Sound, and down to Unalakleet in the Norton Sound. The Siberian Yupik (Eskimos) live on St. Lawrence Island, while the Central Yupik can be found along the coast (and inland) of Norton Sound from Unalakleet to Egegik in Bristol Bay. The Alutiiq (Eskimos) are found primarily on the Alaska Peninsula, Kodiak Island, and along the coast into Prince William Sound up to Eyak. The Aleuts live primarily on the Aleutian Islands. Athabaskans (Tanaina, Ahtna, Ingalik, Upper Kuskokwim, Holikachuk, Koyukon, Tanacross, Upper Tanana, Han, and Gwich'in) are found in Interior Alaska. The Eyak, Tlingit, Haida and Tsimshian live primarily in southeast Alaska.

